

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-08 FRB-03 TRSE-00

XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 /084 W

-----079225 181136Z /10

R 180925Z OCT 77

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 5083

C O N F I D E N T I A L SECTION 1 OF 2 TEHRAN 9221

EO 11652: GDS

TAGS: ECON, IR

SUBJ: IRAN ABANDONS FIVE-YEAR DEVELOPMENT PLANNING

1. SUMMARY: BEGIN CONFIDENTIAL: THE SHAH ANNOUNCED OCTOBER 15 THAT THE SYSTEM OF FIVE YEAR DEVELOPMENT ECONOMIC PLANS AS KNOWN HERETOFORE WILL BE ABOLISHED. SENIOR GOI OFFICIALS CONFIRMED THE SHAH'S NEW DIRECTIVE FOR STUDY AND IDENTIFICATION OF LONG-TERM NATIONAL OBJECTIVES. IT IS NOT YET CLEAR WHETHER OR NOT A NATIONAL OBJECTIVES PLAN DOCUMENT WILL EMERGE OR WHETHER IT WILL GO THE THE PARLIAMENT FOR DEBATE AND ENACTMENT. BEST INFORMATION SUGGESTS THAT THE NEXT ECONOMIC DOCUMENT WILL BE THE 2537 BUDGET, WHICH SHOULD APPEAR IN EARLY 1978. THE FAILURE TO RECONCILE THE PRESENTLY-IDENTIFIED WIDE GAP BETWEEN AGGREGATE RESOURCE REQUIREMENTS AND LOWER ACTUAL CAPACITIES, AS COULD HAVE OCCURRED IN A SIXTH PLAN PROCESS, DIMINISHES CONSIDERABLY PROSPECTS FOR SHORT-TERM SOLUTIONS TO ECONOMIC IMBALANCES AND UNHEALTHY TRENDS. END SUMMARY.

2. BEGIN UNCLASSIFIED. THE SHAH, IN AN AUDIENCE OCTOBER 15 WITH PARLIAMENTARY LEADERSHIP, ANNOUNCED THAT THE PAST SYSTEM OF ECONOMIC PLANNING FOR FIVE YEARS WILL BE ABOLISHED AND YEARLY PLANS WILL BE PREPARED INSTEAD. NEWSPAPER ACCOUNTS REPORTED HIS REASONING THAT WHEREAS IN THE PAST SOME PROJECTS HAVE LINGERED AS MUCH CONFIDENTIAL

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AS TEN YEARS EITHER BECAUSE OF NEGLIGENCE OR MISCALCULATION, BY WORKING WITH A YEAR TO YEAR BUDGET OR SPECIAL LEGISLATION THE COUNTRY WILL HAVE A BALANCE SHEET AT THE END OF THE YEAR AND CAN PLAN FOR THE NEXT YEAR WITH A MORE ACCURATE KNOWLEDTE OF THE STATE OF AFFAIRS. END UNCLASSIFIED.

3. BEGIN CONFIDENTIAL: SOURCES IN THE PLAN AND BUDGET ORGANIZA-

TION (PBO) REPORT THAT NO DISCUSSIONS HAVE OCCURRED ON A CABINET OR INTER-AGENCY BASIS CONCERNING THE SIXTH PLAN SINCE THE GOVERNMENT CHANGED AUGUST 7. WORK ON THE SIXTH PLAN HAD BUILT TO A CLIMAX OVER TWO YEARS BY JULY WHEN AN ENORMOUS GAP DEVELOPED BETWEEN PBO-IDENTIFIED NATIONAL RESOURCES FOR 1978-1983 AND DEVELOPMENT PLANS ADVANCED BY THE MINISTRIES. THE REPORTED GAP BETWEEN RESOURCES AND MINISTERIAL PROJECTS REACHED 200-300 PERCENT. IN THE SUCCEEDING MONTHS, A PRIME REASON FOR THE ABSENCE OF ATTENTION TO THE SIXTH PLAN WAS FOUND IN THE NEW CABINET, WHICH REQUIRED TIME TO IDENTIFY ITS SECOND LEVEL AND LEARN THE JOB. YET THERE WAS SPECULATION THAT THE PLAN, HERETOFORE EXPECTED IN OCTOBER, MIGHT BE A TEN YEAR PLAN OR THAT THE CURRENT FIFTH PLAN MIGHT BE EXTENDED FOR SEVERAL YEARS IN ORDER TO ACCOMPLISH MORE OF ITS OBJECTIVES.

4. PBO SOURCES SAY THAT PBO MINISTER YEGANEH IS GIVEN TO DETAIL AND DOES NOT CONVEY CLEARLY A SENSE OF DIRECTION; FURTHER, THE PBO CONTINUES TO FUNCTION UNDER THE STIGMA OF A PERCEIVED DISCREDITING BY THE SHAH. NONE OF THE UNDERSECRETARIES HAS BEEN REMOVED AS YET BUT SOURCES SPEAK OF A CONTINUING UNCERTAINTY OF THEIR POSITION AND PBO'S OVERALL ROLE. FOR EXAMPLE, THE SHAH'S INITIAL INTENT TO TRANSFER THE BUDGET FUNCTION TO MINISTER ANSARY'S PORTFOLIO WAS RESCINDED, BUT NEITHER IS IT CERTAIN IT WILL STAY AT PBO. IN RECENT WEEKS, PBO LEADERSHIP DID LEARN THAT THE NEW THRUST, PRESUMABLY FROM THE SHAH, WAS TO IDENTIFY LONG-TERM "NATIONAL OBJECTIVES" (E.G. YEAR 2000) AND, HAVING DONE THAT, SECTORAL AND INTRA-SECTORAL GOALS WERE TO BE IDENTIFIED AND PROJECTS SUBJECTED TO PROGRAM

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EVALUATION REVIEW TECHNIQUE METHODOLOGY. PBO APPARENTLY WILL BE RESPONSIBLE FOR THIS.

5. WHAT EMERGES FROM OUR SENIOR LEVEL PBO AND MINISTRY QUERIES IS THAT DEVELOPMENT PLANNING AS REPRESENTED HERETOFORE IN PARLIAMENTARY-APPROVED FIVE OR SEVEN YEAR AUTHORIZATIONS HAS BEEN ABANDONED. WHETHER OR NOT THE PBO PRODUCES A DOCUMENT ON ECONOMIC OBJECTIVES AS A GUIDE AND WHETHER THAT DOCUMENT RECEIVES PARLIAMENTARY APPROVAL IS NOT KNOWN AND SOURCES SAY THESE ISSUES ARE NOW UNDER DISCUSSION. IN ANY CASE, NO PLAN SHOULD BE EXPECTED, AS ANTICIPATED, IN OCTOBER NOR IS IT LIKELY THAT ANY DOCUMENT WILL EMERGE BEFORE THE 2537 BUDGET, WHICH NORMALLY APPEARS IN JANUARY. THE SHAH IN HIS OCTOBER 15 AUDIENCE IDENTIFIED AS A REASON FOR REJECTION OF THE TRADITIONAL PLANNING CONCEPT THE INABILITY TO COMPLETE ALL PROJECTS WITHIN A FIVE YEAR SPAN. IT IS THIS, PERHAPS UNNECESSARILY, BUILT-IN FRUSTRATION WHICH IS APPARENTLY SEEN AS THE SOURCE OF OVER-COMMITMENT OF RESOURCES WHICH IS FEEDING INFLATION AND BASIC DISEQUILIBRIUM IN THE ECONOMY.

6. COMMENT: THE FUTURE ROLE OF CENTRAL PLANNING IS NOT KNOWN. MORALE

IN PBO'S PLANNING BUREAUS IS UNDERSTANDABLY AT A LOW POINT, GIVEN

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USIA-06 AID-05 COME-00 EB-08 FRB-03 TRSE-00

XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 /084 W

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R 180925Z OCT 77

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TO SECSTATE WASHDC 5084

C O N F I D E N T I A L SECTION 2 OF 2 TEHRAN 9221

THE REJECTION OF THE SIXTH PLAN CONCEPT. NONETHELESS, AS AN UNDERSECRETARY IN THE MINISTRY OF ECONOMIC AFFAIRS AND FINANCE CONCEDED, ONLY PBO CAN PROVIDE THE "FRESH LOOK" AT DEVELOPMENT PROGRESS AND RECOMMEND CONTINUATION, STRETCHOUT OR MODIFICATIONS OF INDIVIDUAL PROJECTS IN ORDER TO ACHIEVE BETTER BALANCE WITHIN EXISTING CAPACITIES BECAUSE ONLY PBO HAS THE BROAD VIEW CAPACITY. BUT PROSPECTS FOR ACHIEVING THIS "FRESH VIEW" IN TIME TO AFFECT THE 2537 BUDGET ARE DIM. THE AMOUZEGAR GOVERNMENT HAS NOT YET HAD TIME TO COME TO GRIPS WITH BASIC PROBLEMS AND THUS IN RECENT MONTHS THE GOVERNMENT CONVEYED A STATE OF PARALYSIS IN ECONOMIC POLICY. BY FAILING TO RESOLVE THE FUNDAMENTAL ISSUE WHICH EMERGED IN JUNE/JULY, I.E. THE TREMENDOUS GAP BETWEEN ASPIRATIONS AND IDENTIFIED RESOURCES, PRESENT IMBALANCES AND TRENDS ARE EFFECTIVELY EXTENDED FOR THE SHORT-RUN.

7. THE INVOLVEMENT OF THE PLANNING FUNCTION WITH THE BUDGET PROCESS IS ESSENTIAL. BUT WHILE GENERALLY SEEN AS NOW ABSENT IN THE SHORT-RUN, ITS ROLE IN THE MEDIUM TO LONG TERM MAY BE MORE PROMISING. A DISCREDITING OF PLANNING BECAUSE OF PRESENT PROBLEMS MAY INITIALLY HAVE BEEN AN EASY REACTION TO FRUSTRATING ECONOMIC CONDITIONS BUT MAY NOW BE SEEN AS AN UNWISE DISCREDITING OF A CONCEPT--COORDINATED PLANNING--RATHER THAN INSTITUTIONAL FACTORS. THE PRESENT IMBALANCES AND RECENT RECORD OF RESOURCE DISSIPATION RESULTED LARGELY FROM MINISTERIAL CARTE BLANCHE IN THE

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1974/75 PERIOD. PBO'S RECORD IS NOT BLAMELESS IN ITS PROJECT
SUPER VISION AND DECISIONS AMONG PROJECTS IN THE SUBSEQUENT
PERIOD WHEN ITS POWERS WERE RESTORED OWING TO IRAN'S FINANCIAL
CONSTRAINTS BUT THEN ITS TASK WAS DIFFICULT, IF NOT IMPOSSIBLE,
GIVEN IRAN'S DECISION MAKING PROCESS AND THE MAGNITUDE OF RESOURCES
ALREADY COMMITTED BY CONTRACTS. A POSTPONEMENT OF TOUGH RESOURCE
ALLOCATION DECISIONS AND RESORT TO THE BUDGET (NOTABLY A PICE-
MEAL APPROACH) PROCESS TO ACHIEVE ECONOMIC POLICY AND BALANCED
GROWTH AT LEAST IN THE SHORT-RUN IS UNFORTUNATE. RESPECT-
IVE MINISTERIAL ASPIRATIONS, WITHIN THE COMPETITIVE POLITICAL AWARDS
GAME, WILL CONTINUE TO HAVE REIGN, EXACERBATING THE PRESENT
STRUCTURAL DISPARITIES AND RUINOUS TRENDS SUCH AS HIGH INFLATION,
SPIRALING WAGES, LAGGING INVESTMENT AND DECLINING PRODUCTIVITY.
IN ACTION IN PRESENT ECONOMIC CIRCUMSTANCES IS COSTLY AND EMBASSY
AGREES WITH INFORMED CONTACTS THAT IT IS HIGH TIME FOR THE
PRIME MINISTER, AND SPECIFICALLY PBO MINISTER YEGANEH, TO ACCEPT THE VARI-
TIES OF CURRENT AND PROSPECTIVE ABSORPTIVE CAPACITIES AND
FORCE DICISIONS, HOWEVER DIFFICULT POLITICALLY,
FAVORING RESTRAINT AND BALANCE. END COMMENT.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC PROGRAMS, FIVE YEAR PLAN
Control Number: n/a
Copy: SINGLE
Sent Date: 18-Oct-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977TEHRAN09221
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770382-0402
Format: TEL
From: TEHRAN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19771046/aaaabmxo.tel
Line Count: 193
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 57faa52c-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 18-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 871051
Secure: OPEN
Status: NATIVE
Subject: IRAN ABANDONS FIVE-YEAR DEVELOPMENT PLANNING
TAGS: ECON, PGOV, IR
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/57faa52c-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009